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# Audit



# Report

OFFICE OF THE INSPECTOR GENERAL

**REPORTING GRADUATE MEDICAL  
EDUCATION COSTS**

Report No. 97-147

May 23, 1997

**Department of Defense**

ARI 00-01-0146

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**Acronyms**

GME  
MEPRS

Graduate Medical Education  
Medical Expense and Performance Reporting System



**INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
**400 ARMY NAVY DRIVE**  
**ARLINGTON, VIRGINIA 22202-2884**



May 23, 1997

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH  
AFFAIRS)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Reporting Graduate Medical Education Costs  
(Report No. 97-147)

We are providing this report for information and use. It is one of three reports on our audit project entitled, "DoD Health Care Cost Accounting Systems." Management comments on a draft of this report were considered in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Michael A. Joseph, Audit Program Director, or Mr. Sanford W. Tomlin, Audit Project Manager, at (757) 766-2703. See Appendix C for the report distribution. The audit team members are listed inside the back cover.

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

**Report No. 97-147**  
(Project No. 6LF-0047)

**May 23, 1997**

### **Reporting Graduate Medical Education Costs**

#### **Executive Summary**

**Introduction.** DoD medical treatment facilities utilize the Medical Expense and Performance Reporting System (MEPRS) for performing health care cost accounting functions. MEPRS provides costs by cost center, functional area, and program. The medical treatment facilities also maintain and rely on their respective Military Department financial systems for managing funds. MEPRS does not support financial systems maintained by the Defense Finance and Accounting Service. The audit focused on the accuracy of the Graduate Medical Education (GME) costs shown in MEPRS.

DoD conducts GME programs at 27 medical treatment facilities, 15 of which are designated as medical centers. In FY 1995, the 15 medical centers reported \$125.6 million in costs for GME in MEPRS.

**Audit Objectives.** The overall audit objective was to determine whether DoD health care cost accounting systems provide managers with adequate and reliable information for cost-effective health care and budgeting decisions. During the audit survey, the Deputy Assistant Secretary of Defense (Health Budgets and Programs) requested that we delay the MEPRS review because several initiatives were underway to improve DoD health care automated information systems. The initiatives will not correct all inaccuracies in the reporting of GME program costs in MEPRS; therefore, we limited our audit coverage to the accuracy of GME program costs shown in MEPRS. We also evaluated the management control programs of the Office of the Assistant Secretary of Defense (Health Affairs) and the Military Departments as they applied to reporting GME program costs in MEPRS.

**Audit Results.** DoD medical centers did not accurately and consistently report GME program costs. The average FY 1995 GME cost per student reported by the 15 medical centers ranged from \$20,268 to \$99,750. Without accurate GME costs, DoD could not determine the cost-effectiveness of DoD GME programs. The errors also reduced the accuracy of the patient care costs shown in MEPRS and could prevent DoD from determining the GME program cost, as required in proposed legislation for a Medicare demonstration project. For details of the audit results, see Part I.

The management control programs of the Office of the Assistant Secretary of Defense (Health Affairs) and the Military Departments need improvement because we identified material weaknesses related to the allocation of military support personnel salaries and GME student salaries to the GME program.

Recommendations in this report, if implemented, will aid DoD in determining the cost-effectiveness of in-house GME programs and help ensure the accuracy of the medical centers' direct patient care costs.

**Summary of Recommendations.** We recommend that the Assistant Secretary of Defense (Health Affairs) issue specific guidance for allocating military personnel salaries to the GME Support account, require separate reporting of GME student

salaries, and provide coverage of MEPRS in the management control program. We also recommend that the surgeons general of the Military Departments establish procedures to ensure that the revised guidance is implemented at all medical treatment facilities and provide coverage of MEPRS in their management control program.

**Management Comments.** The Acting Assistant Secretary of Defense (Health Affairs) concurred with the recommendations and stated that representatives from the Office of the Assistant Secretary have already met with Service GME representatives to develop a more detailed description of salary allocation for GME. The Office of the Assistant Secretary will also include MEPRS compliance issues as a management control program item. Although comments were not required, the Army, Navy, and Air Force also concurred with those recommendations.

The Army, Navy, and Air Force concurred with the recommendations to the surgeons general to ensure that the revised guidance is implemented at all medical treatment facilities and provide coverage of MEPRS in their management control program. Although comments were not required, the Acting Assistant Secretary of Defense (Health Affairs) also concurred with those recommendations. See Part I for a summary of management comments and Part III for the complete text of management comments.

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## **Part I - Audit Results**



### Audit Background

**Medical Expense and Performance Reporting System.** DoD Directive 6010.13, "Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities," February 3, 1986, established the DoD Medical Expense and Performance Reporting System (MEPRS). The primary objective of MEPRS is to provide a standardized cost accounting and staffing data system for managing DoD health care resources. MEPRS was developed by combining the previously existing Uniform Chart of Accounts that tracked DoD medical costs, and the Uniform Staffing Methodologies that tracked DoD staffing resources. Although MEPRS data are required at all medical treatment facilities, the facilities maintain and rely on their respective Military Department financial systems for monitoring funding authorizations, expenditures, and obligations. MEPRS does not support financial systems maintained by the Defense Finance and Accounting Service.

DoD health care cost accounting procedures are provided in DoD Manual 6010.13-M, "Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities," October 1995. MEPRS establishes a hierarchy of accounts in which all costs and corresponding workload data are collected. All costs are initially charged to one or more of the following account categories: ambulatory care, ancillary services, dental care, inpatient care, readiness, special programs, or support services. Ancillary services and support services are intermediate account categories and the other five are final operating account categories. Costs accumulated in intermediate account categories are redistributed to the final operating account categories by an expense assignment system in MEPRS.

**Graduate Medical Education.** Graduate Medical Education (GME) is the specialized education that all physicians receive after 4 years of basic medical school. To gain a certification in a medical or surgical specialty, a physician must complete a GME program. DoD conducts GME programs at 27 medical treatment facilities, 15 of which are designated as medical centers. In FY 1995, the 15 medical centers reported \$125.6 million in costs for GME in MEPRS. GME program costs are accumulated in two MEPRS cost accounts, the GME Support account and the Student Salary Expenses account. The GME Support account is part of the support services category of accounts. The Student Salary Expenses account is part of the special programs category of accounts.

### Audit Objectives

The objective of the audit was to determine whether the DoD health care cost accounting systems provide managers with adequate and reliable information for cost-effective health care and budgeting decisions. We limited this audit to a review of the accuracy of GME program costs shown in MEPRS. We also evaluated the management control programs of the Office of the Assistant Secretary of Defense (Health Affairs) and the Military Departments as they

applied to reporting GME program costs shown in MEPRS. See Appendix A for a discussion of the scope and methodology and for details of our review of the management control program.

## **Other Matters of Interest**

The Office of the Assistant Secretary of Defense (Health Affairs) recognized that its systems did not provide managers with adequate information and initiated development of several automated information systems. Systems are being developed to provide more detailed and timely ambulatory, financial, logistics, and readiness information. Many of the new automated information systems will utilize MEPRS cost accounting data. We also have ongoing an audit of the Corporate Executive Information System development.

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## Reporting Graduate Medical Education Costs

DoD medical centers did not accurately and consistently report GME program costs during FY 1995. Specific MEPRS guidance did not exist for allocating the salaries of military personnel serving as GME program directors, support staff, and teaching physicians to the GME Support account. In addition, the portion of GME student salaries applicable to GME and patient care was not being determined in accordance with MEPRS guidance or being separately identified and reported. Without accurate GME costs, DoD could not compare the costs of DoD GME programs with the civilian sector and determine the most cost-effective method for training DoD physicians. Additionally, DoD could not fully comply with the proposed Medicare demonstration project. Finally, inaccurate GME costs reduced the accuracy of patient care costs reported by DoD medical centers.

### Criteria for Reporting GME Costs

**GME Support Account.** DoD Manual 6010.13-M states that the GME Support account, "... is provided to accumulate expenses incurred to conduct and support authorized in-house, organized, clinical GME programs assigned to the medical facility."

The account should capture the portion of time and resultant salaries of the program directors, support staff, and teaching physicians involved in the GME programs. GME student salaries are specifically excluded from the account.

**Student Salary Expenses Account.** DoD Manual 6010.13-M states that the Student Salary Expenses account, "... is established to accumulate that portion of student salary expenses and work hours represented by the time the student is in a pure learner role."

The MEPRS manual guidelines for GME students require that 100 percent of the salary for first year GME students, and 50 percent of the salary for second and later year GME students, be allocated to this account. The remainder of the students' salary is allocated to other final operating accounts, usually ambulatory care or inpatient care work centers that students are assigned to.

The MEPRS manual requires that the salary expense of military personnel be based on DoD composite pay rates. To properly distribute the salaries, the MEPRS manual requires that all personnel work hours be captured and accurately recorded.

## Reporting of GME Costs in MEPRS

The DoD medical centers did not accurately and consistently report GME costs in MEPRS. In FY 1995, the average annual support cost per GME student at the 15 medical centers ranged from \$634 to \$17,897. In FY 1995, the average student salary expense allocation per GME student ranged from \$18,035 to \$81,853. Table 1 shows that the six medical centers visited during the audit comprised the upper and lower limits in the variation of GME program costs reported in MEPRS.

**Table 1. Variations in FY 1995 GME Costs per Student**

<u>Medical Center</u>	<u>Average GME Support</u>	<u>Average Student Salary</u>	<u>Average GME Cost</u>
Army			
Brooke	\$10,627	\$47,081	\$57,708
Walter Reed	7,180	29,417	36,597
Navy			
Bethesda	2,233	18,035	20,268
Portsmouth	634	47,167	47,801
Air Force			
Malcolm Grow	17,897	81,853	99,750
Wilford Hall	4,763	22,015	26,778

Using DoD composite pay rates and the MEPRS guidelines, we determined that the average GME student salary allocation in FY 1995 to the Student Salary Expenses account should have ranged between \$43,392 and \$54,542 at the six medical centers visited. See Appendix B for details on the audit calculation of the FY 1995 student salary expense. Only two of the six medical centers reported average student salaries within that range. Some variations in the medical centers average cost per student is expected because of the differences in pay grades and mix of teaching physicians and students. However, the large variations in the GME support costs and student salary expenses shown in the above table are major inconsistencies and inaccuracies in the reporting of GME costs in MEPRS.

## Reporting Inaccuracies and Inconsistencies

The DoD medical centers did not accurately and consistently report costs for GME support and student salary expenses for the following reasons.

- o The MEPRS manual did not provide specific guidance for allocating the salaries of military personnel serving as GME program directors, support staff, and teaching physicians to the GME Support account.

## Reporting Graduate Medical Education Costs

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o The MEPRS manual guidance for determining the portion of GME student salaries to allocate between patient care and GME was not being followed and there was no requirement to report GME student costs separately. Four of the six medical centers commingled the GME student salaries with other student salaries in the Student Salary Expenses account, which is the only account in MEPRS for accumulating student salaries.

## GME Support Account Allocations

**GME Support Account Guidance.** The lack of specific guidance in DoD Manual 6010.13-M resulted in inconsistencies in how the salaries of military personnel serving as GME program directors, support staff, and teaching physicians were allocated to the GME Support account at the six DoD medical centers visited. In addition to supporting the GME program, GME program directors and teaching physicians performed administrative functions, provided patient care, and supported other education and training missions. Support staff also performed administrative functions and provided education and training support. The MEPRS manual requires that the GME Support account be charged with all operating expenses incurred in the training and education of GME students. However, the MEPRS manual does not specify the types of support personnel (such as GME program directors, support staff, and teaching physicians) that should allocate salaries to this account. In addition, the MEPRS manual does not provide a detailed methodology for allocating military support personnel salaries to the GME Support account.

**GME Program Director Salary Allocations.** Our review of the GME Support account at the six medical centers, for a 2-month period, showed that 76 percent of GME program directors had not allocated any of their salary to this account. The Accreditation Council for Graduate Medical Education requires that each GME program have a physician designated as the program director. Table 2 shows the number of GME program directors with salary allocations at the six medical centers.

**Table 2. Analysis of GME Program Directors With Salary Allocations to GME Support Account**

<u>Medical Center</u>	<u>Number of GME Programs</u>	<u>Directors With Salary Allocations to GME Support (number)</u>	<u>(percent)</u>
Army			
Brooke	25	23	92
Walter Reed	51	4	8
Navy			
Bethesda	28	3	11
Portsmouth	15	1	7
Air Force			
Malcolm Grow	3	0	0
Wilford Hall	<u>34</u>	<u>6</u>	18
<b>Total</b>	<b>156</b>	<b>37</b>	

Only 24 percent of program directors allocated any portion of their salaries to the GME Support account for the 2 months reviewed.

**Support Staff and Teaching Physician Salary Allocations.** The lack of specific guidance also resulted in inconsistencies in the allocation of salaries to the GME Support account for support staff and teaching physicians at the medical centers visited. We expect some variation between medical centers in the ratio of support staff and teaching physicians to GME students. However, we believe the variation between medical centers in the number of support staff and teaching physicians with salary allocations to the GME Support account shown in examples below is attributable primarily to inconsistent reporting. The examples occurred during June 1996.

o Brooke Army Medical Center had 275 GME students in 25 GME programs. Portions of salaries for 7 staff personnel and 286 physicians were charged to the GME Support account.

o Naval Medical Center Portsmouth had 216 GME students in 15 GME programs, but only 4 staff personnel and 8 physicians charged any salary to the GME Support account.

o Malcolm Grow Medical Center had 44 GME students in 3 GME programs, but none of the staff personnel or physicians assigned to the departments charged salaries to the GME Support account. However, portions of salaries for 16 staff personnel and 19 physicians that were not assigned to the departments with GME programs were charged to the GME Support account.

### GME Student Salary Allocations

Of the six medical centers visited, four were inaccurately and inconsistently allocating GME student salaries between the Student Salary Expenses account and the patient care accounts, because of noncompliance with guidance in the MEPRS manual. Additionally, although the MEPRS manual provides guidance for allocating GME student salaries between those accounts, it does not require that GME student salaries be reported separately. As a result, GME student salaries were commingled with all other student salaries in the Student Salary Expenses account.

**Compliance With MEPRS Guidance for Allocating Student Salaries.** Of the six medical centers we visited, four were not complying with MEPRS guidance for allocating GME student salaries to the Student Salary Expenses account. The guidance requires that 100 percent of the salaries for first year GME students and 50 percent of the salaries for second or later year GME students be charged to the Student Salary Expenses account. The remaining 50 percent for second or later year students should be charged to patient care. For the 2-month period reviewed, Brooke Army Medical Center and Naval Medical Center Portsmouth varied only slightly from the guidance. However, the four remaining medical centers varied significantly.

**Walter Reed Army Medical Center.** The Walter Reed Army Medical Center did not allocate 100 percent of the salaries for any of the 57 first-year students to the Student Salary Expenses account during July and August 1996. Most salaries for the second and later year students were being properly allocated.

**National Naval Medical Center Bethesda.** The National Naval Medical Center Bethesda followed Navy guidance, which conflicted with the MEPRS guidance. The Navy guidance requires that only first year through third year GME students allocate their salaries to the Student Salary Expenses account. We selected February and June 1996 for review because they were the most recent 2 months with complete records and supporting documents. As a result of following Navy guidance, the National Naval Medical Center Bethesda did not allocate to the Student Salary Expenses account any of its 81 fourth and later year GME students during the 2 months reviewed.

**Malcolm Grow Air Force Medical Center.** The Malcolm Grow Air Force Medical Center was not consistently complying with the MEPRS manual guidance for allocating student salaries. During May and June 1996, Malcolm Grow had 44 GME students. The salaries for 16 GME students in May and 24 GME students in June were not allocated to the Student Salary Expenses account in accordance with MEPRS guidance.

**Wilford Hall Air Force Medical Center.** The Wilford Hall Air Force Medical Center stated policy was to allocate salaries as shown on time sheets. If no time sheet was available, the entire salary was charged to the person's primary work center. Of the 427 GME students at Wilford Hall, no salaries were charged to the Student Salary Expenses account for 296 students during



April 1996 and for 297 students during June 1996. We could not determine the allocation of GME student salaries during May 1996 because the MEPRS support data were not available.

**Need for Separate Reporting of GME Student Salaries.** The MEPRS manual does not require a separate account for accumulating and reporting GME student salaries. MEPRS provides a single Student Salary Expenses account for capturing the salaries of all medical students, including dentists, medical technicians, nurses, and physicians. We identified the following inconsistencies in the Student Salary Expense accounts among the Military Departments and medical centers within the Military Departments.

**Army Reporting of Student Salaries.** The Army had established separate subaccounts within the Student Salary Expenses account to accommodate the various types of students. As a result, the Army medical centers we visited accumulated physician GME student salaries in a separate subaccount.

**Navy Reporting of Student Salaries.** The Navy had not established a subaccount to distinguish between GME and other student salaries. However, the Student Salary Expenses account at the two medical centers visited primarily included physician GME student salaries. The MEPRS coordinator at one of the Navy medical centers stated that non-GME students were not assigned to the facility and usually did not report their salaries. The MEPRS coordinator further provided that Navy dental GME students reported their salaries through the dental clinics that prepared separate MEPRS reports.

**Air Force Reporting of Student Salaries.** The Air Force had not established a subaccount to distinguish between GME students and all other students. The two Air Force medical centers visited followed differing procedures. The Student Salary Expenses account for one medical center primarily included dental and physician GME trainees, while the account at the other medical center included enlisted medical technician trainees, nonmedical students, physician GME students, and psychology students.

### **Effect of GME Support Account and Student Salary Expenses Account Allocations**

Inaccurate and inconsistent MEPRS reporting prevents DoD from readily determining its GME and patient care costs and adversely affects the ability of DoD to make informed decisions concerning GME. Because of reporting inconsistencies and a lack of detailed guidance, we could not calculate the amount that should have been allocated to the GME Support account. However, we calculated the amount of GME student salaries that should have been allocated to the Student Salary Expenses account for 1 year at the six medical centers visited. We calculated the amount of GME student salaries that should have been allocated to the Student Salary Expenses account by applying the MEPRS manual criteria to the FY 1995 composite pay rate for the



## Reporting Graduate Medical Education Costs

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GME students assigned to the six medical centers visited as of September 30, 1995. Table 3 compares our calculation of the Student Salary Expenses account totals for FY 1995 to the FY 1995 yearend MEPRS reports.

**Table 3. Analysis of FY 1995 Student Salary Expenses Account\***  
(\$ in millions)

<u>Medical Center</u>	<u>FY 1995 MEPRS</u>	<u>Audit Calculation</u>	<u>Amount Overstated or (Understated) (dollars) (percent)</u>	
Army				
Brooke	\$11.44	\$10.63	\$ 0.81	7
Walter Reed	11.30	16.66	( 5.36)	( 47)
Navy				
Bethesda	4.56	12.79	( 8.23)	(180)
Portsmouth	10.19	10.58	( 0.49)	( 5)
Air Force				
Malcolm Grow	3.60	2.40	1.20	33
Wilford Hall	8.30	20.92	(12.62)	(152)

\*See Appendix B for details on the audit calculation of the FY 1995 student salary expense.

Actual allocations to the Student Salary Expenses account varied significantly from our calculations at four of six medical centers. It is important to note that patient care accounts were also being overcharged or undercharged by the same amounts shown in Table 3.

**Proposed Legislation.** Proposed legislation provides for a demonstration project in which DoD would be reimbursed by the Department of Health and Human Services for treating Medicare eligible patients. The proposed legislation requires DoD to determine its actual expenses for treating the Medicare eligible population and adjust reimbursement rates for GME program costs. Current MEPRS data do not provide DoD with reliable information to accurately adjust the reimbursement rates for GME or assess the Medicare demonstration project.

**GME Program Consolidation.** DoD also needs accurate MEPRS data to make decisions about its GME programs. For example, GME programs are being consolidated at medical centers in the Washington, D.C., area. The commander of one of the medical centers stated that inconsistent and incompatible MEPRS data had delayed agreements on transfers of personnel and other resources between the medical centers. More GME program consolidations are planned and accurate GME program cost would facilitate such consolidations.

**Improving the Reporting of GME Program Costs.** Developing and enforcing specific guidance for the GME Support account for the allocation of the salaries of military personnel supporting GME would aid DoD in determining GME program costs. Enforcing MEPRS guidelines for allocating GME student salaries between the Student Salary Expenses account and the patient care

accounts, and establishing separate reporting of GME student salaries within MEPRS would also enable DoD to more accurately identify GME program costs and patient care costs.

## Recommendations and Management Comments

**1. We recommend that the Assistant Secretary of Defense (Health Affairs):**

**a. Revise Medical Expense and Performance Reporting System guidance. Specifically, the guidance should:**

**(1) Provide a detailed methodology for allocating military personnel salaries to the Graduate Medical Education Support account. As a minimum, the methodology should include the allocation of salaries for the Graduate Medical Education program directors, support staff, and teaching physicians.**

**(2) Require separate reporting of Graduate Medical Education student salaries.**

**b. Provide coverage of the Medical Expense and Performance Reporting System in the management control program. Appendix A provides details on the adequacy of management's self-evaluation.**

**Management Comments.** The Acting Assistant Secretary of Defense (Health Affairs) concurred with the recommendations, stating that representatives from that office and the Service GME representatives were developing more detailed functional descriptions for allocating salaries to GME. The descriptions will include who and where personnel associated with GME and other training programs should allocate their time. New third level codes in the MEPRS will also be created to accumulate GME student salaries in a separate account. The more detailed functional descriptions and new third level MEPRS codes should be in effect by October 1, 1997. The Acting Assistant Secretary will include also the MEPRS in the management control program.

Although not required to comment, the Army, Navy, and Air Force concurred with the recommendations. Further, the Navy stated that a Tri-Service working group is developing business rules and system edits that will be incorporated into the systems that provide GME data to MEPRS.

**2. We recommend that the Surgeons General of the Army, Navy, and Air Force:**

**a. Establish procedures to ensure that the revised guidance for the Medical Expense and Performance Reporting System for reporting graduate medical education program costs is implemented consistently at all medical treatment facilities.**

## Reporting Graduate Medical Education Costs

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**b. Provide coverage of the Medical Expense and Performance Reporting System in their management control program. Appendix A provides details on the adequacy of management's self-evaluation.**

**Management Comments.** The Army, Navy, and Air Force concurred with the recommendations and stated that the revised guidance would be forwarded to all medical treatment facilities. The Army, Navy, and Air Force also stated that GME program costs would be included in the management control program. Although not required to comment, the Acting Assistant Secretary of Defense (Health Affairs) also concurred with the recommendations.

## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope and Methodology

There are 27 DoD medical treatment facilities with GME programs, of which 15 are designated as medical centers. We collected and analyzed GME program data and MEPRS data for the 15 medical centers. As of September 1995, 2,868 (90 percent) of the 3,192 students in in-house GME programs were assigned to the medical centers. The FY 1995 GME program costs reported in MEPRS by the medical centers totaled \$125.6 million. We used the GME program data and MEPRS data to calculate the average annual support and student salary costs per GME student at the 15 medical centers. We also conducted interviews with responsible personnel from the Office of the Assistant Secretary of Defense (Health Affairs) and the Military Departments.

We judgmentally selected 6 of the 15 medical centers, 2 from each Military Department, and performed detailed on-site reviews of GME program data and MEPRS data. As of September 1995, the 6 medical centers visited had 1,515 GME students and reported FY 1995 GME program costs of \$58 million. At each site visited we conducted interviews with command and MEPRS personnel and examined the most recent 2 months of MEPRS support data available for all GME students for the period of February through August 1996.

We obtained all available personnel time sheets for the 2-month period for GME program directors and students, and compared them to the GME Support account and the Student Salary Expenses account information in MEPRS. We analyzed listings of GME students and used DoD composite pay rate tables to determine who should allocate salaries to the Student Salary Expenses account and to determine annual student salary expenses. We obtained and reviewed applicable DoD guidance for accumulating GME program cost.

**Use of Computer-Processed Data.** We used computer-processed data from the MEPRS to assess the accuracy and consistency of reported GME program costs. While a formal reliability assessment of the entire MEPRS database was not performed, we determined that the MEPRS output generally matched the source documents for the two accounts reviewed at the medical centers visited. However, we determined the allocation of GME program costs within the source documents was inaccurate and inconsistent.

**Limitation on Scope.** The overall audit objective was to determine whether the DoD health care cost accounting systems provide managers with adequate and reliable information for cost-effective health care and budgeting decisions. In a memorandum dated May 8, 1996, the Deputy Assistant Secretary of Defense (Health Budgets and Programs) stated that a new MEPRS expense assignment

system is being developed. The Deputy Assistant Secretary recommended that we delay the audit until the implementation is complete. Full implementation of the new expense assignment system is scheduled for March 1999.

We agreed an audit of MEPRS would be more helpful after the new expense assignment system is fully operational. However, our survey results indicated that the new MEPRS expense assignment system will not correct some of the inaccuracies and inconsistencies in the accounting and reporting of GME costs. Accordingly, we limited the scope of our review of the DoD health care cost accounting systems to the accuracy of GME program costs shown in MEPRS.

**Audit Period and Standards.** We performed this economy and efficiency audit from March through December 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD. Further details are available on request.

**Summary of Prior Audits and Other Reviews.** During the last 5 years there were no prior audits or reviews of the GME program costs reported in MEPRS.

### Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987,\* requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of the Review of the Management Control Program.** We evaluated management controls over MEPRS data related to the reporting and allocation of salaries of military personnel supporting the GME program. Specifically, we evaluated procedures for reporting and allocating salaries of military personnel serving as GME program directors, support staff, and teaching physicians into MEPRS. We also evaluated procedures for reporting and allocating the salaries of GME students. Finally, we reviewed the results of any self-evaluation of those management controls.

**Adequacy of Management Controls.** At the Office of the Assistant Secretary of Defense (Health Affairs) and the Military Departments, we identified material management control weaknesses in MEPRS as defined by DoD Directive 5010.38 relating to the reporting of GME program costs.

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\*DoD Directive 5010.38 has been revised as "Management Control (MC) Program," August 26, 1996. The audit was performed under the April 1987 version of the Directive.

## Appendix A. Audit Process

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Management controls within the Office of the Assistant Secretary of Defense (Health Affairs) and the Military Departments did not ensure accurate reporting of the GME program costs in MEPRS. All recommendations, if implemented, will improve the accuracy of the GME program costs reported in MEPRS. A copy of the report will be provided to the senior official in charge of management controls for the Office of the Assistant Secretary of Defense (Health Affairs) and for the Military Departments.

**Adequacy of Management's Self-Evaluation.** The Office of the Assistant Secretary of Defense (Health Affairs) and the Military Departments (with the exception of Brooke Army Medical Center) did not provide coverage of MEPRS in their management control programs and; therefore, did not identify the material management control weakness identified by the audit. Although Brooke Army Medical Center, Resource Management Division, completed a review of management controls for MEPRS in 1994, the review focused on the preparation and submission of MEPRS data and did not identify any material weakness.

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## Appendix B. Calculation of Graduate Medical Education Student Salary Expenses

To calculate the average GME student salary that should have been allocated to the Student Salary Expenses account in FY 1995, at the medical centers visited, we:

- o determined the number of GME students at each medical center, as of September 30, 1995;
- o determined the paygrades and training year of the GME students; and
- o obtained FY 1995 DoD military pay composite rates.

Utilizing the above data, we initially calculated the total amount that should have been allocated to the Student Salary Expenses account for each medical center. We calculated the total allocation amount by applying 100 percent of the FY 1995 military pay composite rate to all first year students and 50 percent of the composite pay rate to all second or later year students, in accordance with the MEPRS manual guidance. We then divided that amount by the total number of GME students at each medical center, to compute the average GME student salary that should have been allocated to the Student Salary Expenses account for the medical center.

Details of our calculations are shown in Tables B-1 through B-6.

**Table B-1. Calculation of GME Student Salary Expenses at  
Brooke Army Medical Center**

<u>Grade</u>	<u>GME Students Training Year</u>	<u>Number of GME Students</u>	<u>Composite Rate</u>	<u>Percent of Composite Allocated</u>	<u>Total Salary Expense</u>
O-3	1st	35	\$ 72,216	100	\$ 2,527,560
O-3	2nd or later	148	72,216	50	5,343,984
O-4	2nd or later	54	88,920	50	2,400,840
O-5	2nd or later	4	120,024	50	240,048
O-6	2nd or later	<u>2</u>	120,708	50	<u>120,708</u>
<b>Total</b>		<b>243</b>			<b>\$10,633,140</b>
<b>Average student salary expense</b>					<b>\$43,758</b>



**Appendix B. Calculation of Graduate Medical Education Student Salary Expenses**

**Table B-2. Calculation of GME Student Salary Expenses at Walter Reed Army Medical Center**

<u>Grade</u>	<u>GME Students Training Year</u>	<u>Number of GME Students</u>	<u>Composite Rate</u>	<u>Percent of Composite Allocated</u>	<u>Total Salary Expense</u>
O-3	1st	60	\$ 72,216	100	\$ 4,332,960
O-3	2nd or later	256	72,216	50	9,243,648
O-4	2nd or later	64	88,920	50	2,845,440
O-5	2nd or later	3	120,024	50	180,036
O-6	2nd or later	<u>1</u>	120,708	50	<u>60,354</u>
<b>Total</b>		<b>384</b>			<b>\$16,662,438</b>
<b>Average student salary expense</b>					<b>\$43,392</b>

**Table B-3. Calculation of GME Student Salary Expenses at Bethesda National Naval Medical Center**

<u>Grade</u>	<u>GME Students Training Year</u>	<u>Number of GME Students</u>	<u>Composite Rate</u>	<u>Percent of Composite Allocated</u>	<u>Total Salary Expense</u>
O-3	1st	90	\$ 72,216	100	\$ 6,499,440
O-3	2nd or later	119	72,216	50	4,296,852
O-4	2nd or later	34	88,920	50	1,511,640
O-5	2nd or later	6	120,024	50	360,072
O-6	2nd or later	<u>2</u>	120,708	50	<u>120,708</u>
<b>Total</b>		<b>251</b>			<b>\$12,788,712</b>
<b>Average student salary expense</b>					<b>\$50,951</b>

**Appendix B. Calculation of Graduate Medical Education Student Salary Expenses**

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**Table B-4. Calculation of GME Student Salary Expenses at  
Portsmouth Naval Medical Center**

<u>Grade</u>	<u>GME Students Training Year</u>	<u>Number of GME Students</u>	<u>Composite Rate</u>	<u>Percent of Composite Allocated</u>	<u>Total Salary Expense</u>
O-3	1st	72	\$ 72,216	100	\$ 5,199,552
O-3	2nd or later	126	72,216	50	4,549,608
O-4	2nd or later	16	88,920	50	711,360
O-5	2nd or later	<u>2</u>	120,024	50	<u>120,024</u>
<b>Total</b>		<b>216</b>			<b>\$10,580,544</b>
<b>Average student salary expense</b>					<b>\$48,984</b>

**Table B-5. Calculation of GME Student Salary Expenses at  
Malcolm Grow Medical Center**

<u>Grade</u>	<u>GME Students Training Year</u>	<u>Number of GME Students</u>	<u>Composite Rate</u>	<u>Percent of Composite Allocated</u>	<u>Total Salary Expense</u>
O-3	1st	22	\$ 72,216	100	\$ 1,588,752
O-3	2nd or later	20	72,216	50	722,160
O-4	2nd or later	<u>2</u>	88,920	50	<u>88,920</u>
<b>Total</b>		<b>44</b>			<b>\$2,399,832</b>
<b>Average student salary expense</b>					<b>\$54,542</b>

**Appendix B. Calculation of Graduate Medical Education Student Salary Expenses**

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**Table B-6. Calculation of GME Student Salary Expenses at Wilford Hall Medical Center**

<u>Grade</u>	<u>GME Students Training Year</u>	<u>Number of GME Students</u>	<u>Composite Rate</u>	<u>Percent of Composite Allocated</u>	<u>Total Salary Expense</u>
O-3	1st	140	\$ 72,216	100	\$10,110,240
O-3	2nd or later	170	72,216	50	6,138,360
O-4	2nd or later	97	88,920	50	4,312,620
O-5	2nd or later	5	120,024	50	300,060
O-6	2nd or later	<u>1</u>	120,708	50	<u>60,354</u>
<b>Total</b>		<b>413</b>			<b>\$20,921,634</b>
<b>Average student salary expense</b>					<b>\$50,658</b>

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## **Appendix C. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Assistant Secretary of Defense (Health Affairs)  
Assistant Secretary of Defense (Public Affairs)  
Director, Defense Logistics Studies Information Exchange

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Auditor General, Department of the Navy  
Superintendent, Naval Postgraduate School

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Comptroller, National Security Agency  
Inspector General, National Security Agency  
Inspector General, Defense Intelligence Agency

### **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
General Accounting Office  
National Security and International Affairs Division  
Technical Information Center  
Health, Education, and Human Services

**Non-Defense Federal Organizations and Individuals (cont'd)**

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
House Committee on Government Reform and Oversight  
House Subcommittee on Government Management, Information, and Technology,  
Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal  
Justice, Committee on Government Reform and Oversight  
House Committee on National Security

## **Part III - Management Comments**

# Acting Assistant Secretary of Defense (Health Affairs) Comments



HEALTH AFFAIRS

THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-1200

APR 15 1997

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit Report on Reporting Graduate Medical Education Costs  
(Project No. 6LF-0047)

This letter is provided in response to your 19 February 1997 memorandum regarding the subject audit. Responses to recommendations for corrective actions are as follows:

**1(a)(1) - Concur**

We have already met with Service Graduate Medical Education (GME) representatives to develop a more detailed functional description of salary allocation for GME, including who should count their time where. This breakout will include people in support of GME, Graduate Dental Education (GDE), and other training programs.

**1(a)(2) - Concur**

We will break out the student salaries account into GME, GDE, and other. This will provide visibility of medical, dental and other training costs.

(This will give us a total cost for GME, GDE, and other training including student salaries and support personnel. We will create new third level MEPRS codes that, when matched up, will give total support and training costs by each of these three categories. The above changes will be effective for FY98 (1 October 1997) following issuance of the functional description to the Services.)

**1(b) - Concur**

OASD(HA) will issue a letter to the Services upon publication of the final audit requesting a schedule to ensure compliance with the audit recommendations. OASD(HA) will include MEPRS compliance issues as a management control program item.

**2 - Concur**

My point of contact for this action is Major Michael Smith at (703) 681-7890.

*Edward D. Martin*  
Edward D. Martin, M.D.

Acting Assistant Secretary of Defense

# Department of the Army Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE SURGEON GENERAL  
5109 LEESBURG PIKE  
FALLS CHURCH, VA 22041-3258



DASG-ZXA (36-2b)

13 APR 1997

MEMORANDUM THRU ASSISTANT SECRETARY OF THE ARMY (MANPOWER &  
RESERVE AFFAIRS) *W* [14 APR 1997]

FOR OFFICE OF ASSISTANT INSPECTOR GENERAL - AUDIT, ATTN: LS  
DIRECTORATE, 400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-2884

SUBJECT: Draft Audit Report on Reporting Graduate Medical  
Education Costs (Project No. 6LF-0047)

1. The Army Surgeon General agrees with the finding and  
recommendations of the draft audit report. Specific comments are  
enclosed.

2. The Army Surgeon General's point of contact is Mr. Tilden  
Jio, 681-3248.

FOR THE SURGEON GENERAL:

Encl

*Mark W. IOW*  
MARK W. IOW  
LTC, MS  
Assistant Executive Officer

CF (w/encl):  
OSD(HA)  
SAAG-PMF-E  
MEDCOM (MCIR)

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ARMY SURGEON GENERAL COMMENTS ON THE DRAFT AUDIT REPORT ON  
REPORTING GRADUATE MEDICAL EDUCATION COSTS (PROJECT NO. 6LF-0047)

Recommendation 2.a. Establish procedures to ensure that the revised guidance for the Medical Expense and Performance Reporting System for reporting graduate medical education program costs is implemented consistently at all medical treatment facilities.

Comment. Concur. The OASD(HA) should revise the Medical Expense and Performance Reporting System guidance as stated in recommendation 1.a. The Army Surgeon General will forward the revised guidance to all Army medical treatment centers within 30 days of its receipt. To ensure consistent implementation, the revised guidance will be incorporated into the coverage of the Medical Expense and Performance Reporting System in the management control program, as stated in recommendation 2.b.

Recommendation 2.b. Provide coverage of the Medical Expense and Performance Reporting System in their management control program. Appendix A provides details on the adequacy of management's self evaluation.

Comment. Concur. AR 11-2, Management Control, establishes the Army's Management Control policy and guidance, and implements the guidance set forth in DoD Directive 5010.38, Management Control Program. In accordance with AR 11-2, the Deputy Chief of Staff for Resource Management, U.S. Army Medical Command will provide coverage of the Medical Expense and Performance Reporting System in the management control process. This will be accomplished within 90 days following receipt of OASD(HA)'s revised guidance.

# Department of the Navy Comments

Final Report  
Reference



DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20350-1000

APR 10 1997

MEMORANDUM FOR INSPECTOR GENERAL DEPARTMENT OF DEFENSE

Subject: DoDIG Draft Report: "Reporting Graduate Medical  
Education Costs" (Project No. 6LF - 0047) - INFORMATION  
MEMORANDUM

As requested by Attachment 1, the Department of the Navy has reviewed and concurs with the intent of the subject draft report at Attachment 2. Our comments are forwarded for your consideration at Attachment 3.

*Ruven S. Hearsh*

RECEIVED  
OFFICE OF THE SECRETARY  
DEPARTMENT OF THE NAVY  
(20350-1000)

Attachments:

1. DoDIG memo of 19 Feb 97
2. DoDIG Draft Report No. 6LF - 0047
3. DON comments

Attachments  
1 and 2  
deleted

DON COMMENTS

General audit recommendation comments:

We concur with both audit recommendations and will assist ASD(HA) in its efforts regarding the first recommendation.

Comments on audit recommendation number 2, page 12:

"2. We recommend that the Surgeons General of the Army, Navy, and Air Force:

a. Establish procedures to ensure that the revised guidance for the Medical Expense and Performance Reporting System for reporting graduate medical education program costs is implemented consistently at all medical treatment facilities."

With respect to 2. a., the following comments are offered:

(1) The guidance in the Medical Expense and Performance Reporting System (MEPRS) for the graduate medical education (GME) support account should be more detailed. Additionally, it should outline the methodology to be used to allocate costs associated with the GME program directors, support staff and teaching physicians to this account.

(2) The guidance in MEPRS should be changed to separately account for GME student salaries.

(3) Also, we propose that the Office of the Assistant Secretary of Defense (Health Affairs) and the MEPRS Tri-Service Working Group, together with the Services' GME consultants and financial personnel, develop Tri-Service business rules and system edits to be incorporated in the appropriate systems which provide GME data to MEPRS, Expense Assignment System (EAS) III. This will allow Tri-Service reliable statistical reporting in MEPRS. The Standard Personnel Management System, the Navy system used to report this data to MEPRS, EAS III, will be modified with these business rules and edits to ensure the reporting of GME is implemented consistently by our medical treatment facilities and is in concert with the Tri-Service guidance and costing business rules. For Navy, the full costs for GME are not reported in MEPRS, EAS III. The official accounting system includes the total Navy medical costs required to support the GME program.

" b. Provide coverage of the Medical Expense and Performance Reporting System in their management control program. Appendix A provides details on the adequacy of management's self-evaluation."

With respect to 2. b., the following comments are offered:

We also concur with the audit finding that the accounting of these costs in MEPRS should be included in the management control program.

DoD IG Draft Report No. 6LF-0047

# Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON, DC

31 March 1997

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING OFFICE OF  
THE INSPECTOR GENERAL DEPARTMENT OF DEFENSE


FROM: HQ USAF/SGMC  
110 Luke Avenue Room 400  
Bolling AFB DC 20332-7050

SUBJECT: DoD(IG) Draft Audit Report on Reporting Graduate Medical Education Costs  
(Project No. 6LF-0047)

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide Air Force comments on the subject report.

We agree with management that guidance is required to provide a detailed methodology for allocating military personnel salaries to the Graduate Medical Education (GME) Support account and separate reporting of GME student salaries. Revised guidance is in coordination with the Major Commands to ensure clear procedures are taken on allocating military support and student salaries. The expected completion date for our report to OASD(HA) is on 3 Apr 97.

We agree with management that we establish procedures to ensure that the revised guidance for the MEPRS for reporting GME program costs is implemented consistently at all medical treatment facilities. We will distribute to the field and brief the guidance and procedures on the GME program at the May 1997, Air Force Medical Resource Conference and again at the annual AP MEPRS Conference or video conference in October 1997. We will provide management control of the GME program by conducting quarterly audits for one year starting June 1997 and annual audits effective September 1998.

  
ROBERT J. MOSS, JR., Col, USAF, MSC, CHE  
Chief, Financial Management Division  
Directorate of Medical Programs and Resources  
Office of the Surgeon General

## **Audit Team Members**

This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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